

# Medicaid: how much income can you retain, and still qualify?

**M**y clients ask so many questions about Medicaid and long term care planning that I will devote my next few columns to some of the Medicaid rules applicable in Rhode Island. Medicaid is a partnership between the federal and individual state governments. Federal law sets certain minimum standards; each state can be more generous than federal law but not more restrictive.



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## Income rules for RI Medicaid

The basic Medicaid rule for nursing home residents is that they must pay all of their income, minus certain deductions, to the nursing home. The deductions include a \$50-a-month personal needs allowance, a deduction for medical insurance premiums, and, in the case of a married applicant, an allowance for the spouse who continues to live at home if he or she has a limited income.

In determining how a Medicaid applicant's income affects his or her eligibility for nursing home coverage, Rhode Island uses what is known as the "medically needy" or "spend-down" approach. The applicant is permitted to spend down their income on their care until they reach the state's income standard for eligibility (\$50 plus the cost of medical insurance premiums and any spousal allowance), at which point Medicaid will begin covering their care. In this way, individuals with incomes that exceed Medicaid's thresholds can still qualify if they have high medical expenses, assuming they meet Medicaid's other requirements.

For Medicaid applicants who are married, the income of the healthy spouse living in the community (the "community spouse") is not counted in determining the Medicaid applicant's eligibility. Only income in the applicant's name is counted in determining his or her eligibility.

Thus, even if the community spouse is still working and earning, say, \$5,000 a month, she will not have to contribute to the cost of caring for her spouse in a nursing home if he is covered by Medicaid. This rule offers significant financial protection for many community spouses.

## Asset rules

To be eligible for Medicaid benefits a nursing home resident may have no more than \$4,000 in "countable" assets. The community spouse is limited to the lesser of one half of the couple's joint assets or \$117,240 (in 2014) in "countable" assets. This figure changes each year to reflect inflation. Called the "community spouse resource allowance," this amount is the most a state may allow a community spouse to retain without a hearing or a court order. The least that a state may allow a community spouse to retain is \$23,448 (in 2014).

Example: If a couple has \$200,000 in countable assets on the date the applicant enters a nursing home, he or she will be eligible for Medicaid once the couple's assets have been reduced to a combined figure of \$104,000, \$4,000 for the applicant and \$100,000 for the community spouse.

All assets are counted against these limits unless the assets fall within the short list of "non-countable" assets. These include the following:

- Personal possessions, such as clothing, furniture, and jewelry valued at less than \$5,000.

- One motor vehicle, regardless of value, as long as it is used for transportation of the applicant or a household member.

- The applicant's principal residence, provided it is in the same state in which the individual is applying for coverage. Generally, the home will not be considered a countable asset for Medicaid eligibility purposes as long as the nursing home resident intends to return home. Under the Deficit Reduction Act of 2005 (DRA), principal residences may be deemed non-countable only to the extent their equity is less than \$543,000. In all states and under the DRA, the house may be kept

with no equity limit if the Medicaid applicant's spouse or another dependent relative lives there.

- Prepaid funeral plans and a small amount of life insurance (face amount of less than \$4,000).

- Individual Retirement Accounts and other "retirement assets" except that the individual's annual "required minimum distribution" from the accounts must be paid as income to the nursing home.

- Assets that are considered "inaccessible" for one reason or another.

Federal law does not deem retirement assets non-countable for Medicaid purposes and, for this reason, Rhode Island law is more generous than federal law. There is no way to know how long this rule will stay in effect, given the extremely high cost of nursing homes in our state.

In summary, to qualify for Medicaid in Rhode Island, an individual must pay all of their income to their nursing home (other than \$50 and limited allowances for medical insurance and spouses with limited income) and must not own more than \$4,000 of assets, with limited exceptions including retirement accounts.

The law permits a community spouse to retain additional assets in certain situations, including when a Medicaid compliant loan is made from the community spouse to a family member, other individual or a trust. A few additional opportunities exist in the law to protect assets for a spouse, child, or a disabled individual. The law in this area is constantly changing; family members of nursing home residents are well advised to consult with an elder law attorney to determine if any opportunities exist to preserve assets for a spouse or other family members.

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# Two bright 'Lights' for 2014

From **FACING PAGE**

Island where they feel trapped and constrained.

There are elements of humor. One instance is Uncle Carmine who moves to San Francisco because "People there believe in free love and I'm going to get me some."

Or Josephine's grandson Roger who envisions himself the bravest super-hero, "Captain Macaroni" with "legs like lasagna noodles, arms like long strands of spaghetti,

ti, ears like two perfect orecchiette, a torso of rigatoni, penne fingers and small shell toes." His greatest desire is to "fly, cook, be invisible, and never die" as did his much beloved older brother, his mother's favorite son, whom Roger, in a fit of jealousy, wished dead. And so goes the blending of the comic with the tragic, as many of Josephine's descendents struggle with a wide range of psychological problems. In conclusion, I leave it to you, the reader, to decide whether of not you

would like this book; but for me, I say, "Enough with the similes mentioned above; Basta with the pasta!"

*Donna DeLeo Bruno is a native Bristolian and a retired teacher. She now splits her time between Bristol and Ft. Lauderdale, Fla. Some of her most enjoyable and relaxing hours are spent reading a book beneath the shade of a tree at the foot of Walley Street with the sun sparkling its reflection on the water.*

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### THE SIGHT OF BLOOD IN YOUR EYE

While the mere sight of a broken blood vessel on the white of the eye (sclera) is enough to raise concerns, the condition known as a "subconjunctival hemorrhage" is usually a harmless condition. Because neither pain nor changes in vision are involved, many people do not realize that they have the characteristic bright red patches on the whites of their eyes until they see them in the mirror. Causes can range from a violent cough or sneeze to vomiting or heavy lifting. In some cases, eye trauma or roughly rubbing the eyes is enough to cause rupturing of the blood vessels underneath the clear surface of the eye (conjunctiva). In most cases, the body reabsorbs the blood within two weeks.

As a rule, subconjunctival hemorrhage is usually benign, causing no vision problems or significant eye discomfort despite its conspicuous appearance. But eye redness can be a sign of other types of potentially serious eye conditions. Our goal at Sierra Eye Care Center is to provide you with quality, convenient, affordable eye care while giving you the personal attention you deserve. Trust your eyesight to our formidable knowledge and experience. Please call us to schedule an appointment. Your eyes are special and deserve the best.

*P.S. If you experience recurrent subconjunctival hemorrhages, schedule an appointment with the eye doctor.*